

DEPARTMENT OF REVENUE

GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY03 Adjusted Base	FY04 Recommended	% Change Over FY03	FY05 Recommended	% Change Over FY04
GPR	81,059,200	79,855,300	-1.5	79,855,300	0.0
PR-O	7,698,200	8,011,600	4.1	8,040,500	0.4
PR-S	346,300	356,700	3.0	356,700	0.0
SEG-O	64,914,800	66,458,600	2.4	66,591,600	0.2
TOTAL	154,018,500	154,682,200	0.4	154,844,100	0.1

FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY03 Adjusted Base	FY04 Recommended	FTE Change From FY03	FY05 Recommended	FTE Change From FY04
GPR	1,000.00	942.50	-57.50	942.50	0.00
PR-O	75.25	75.25	0.00	75.25	0.00
PR-S	1.65	1.65	0.00	1.65	0.00
SEG-O	135.75	135.75	0.00	41.25	-94.50
TOTAL	1,212.65	1,155.15	-57.50	1,060.65	-94.50

AGENCY DESCRIPTION

The department is headed by a secretary who is appointed by the Governor and confirmed by the Senate. The department advises the Governor and the Legislature on tax policy, administers the state's tax laws and the Lottery, distributes property tax relief and local unrestricted aid payments, and oversees general administration of the property tax system.

The department's activities are organized into the following five major program areas: the Division of Income, Sales and Excise Tax enforces tax laws and collects taxes through audit and compliance activities; the Division of Processing and Customer Service collects taxes through processing tax returns and provides taxpayer assistance; the Division of State and Local Finance administers state policy and programs affecting local government finance and the state's property tax system, including establishing equalized values, supervising general administration of the local property tax and assessing the value of manufacturing property statewide; the Division of Administrative Services area includes the Secretary's Office, the Office of General Counsel, the Office of Information Technology Services, the Enterprise Services Division, and the Research and Policy Division; and the Lottery Division administers the lottery program which provides funding for a property tax credit and the farmland tax relief credit.

The department provides the Executive Office and the Legislature with detailed analyses of revenue and tax policy options.

The tax programs administered by the department provide revenue for the state's general fund, recycling and transportation funds. The department also administers the homestead, farmland preservation and earned income credits, which are paid to eligible applicants from the general fund.

An independent Investment and Local Impact Fund Board, that is attached to the department for administrative purposes, governs the distribution of mining net proceeds occupational tax monies.

MISSION

The department's mission is to collect revenues in order to fund state and local government operations.

PROGRAMS, GOALS, OBJECTIVES AND ACTIVITIES

The department's goals, objectives and activities have been changed from the 2001-03 budget. The department has identified four high-level goals that reflect the outcomes it seeks to achieve: implement good tax policy, deliver good customer service, operate efficiently and maintain a positive work environment.

Program 1: Collection of Taxes

Goal: Operate efficiently.

Objective/Activity: Ensure operating efficiency by maintaining a cost of 13¢ per dollar collected.

Objective/Activity: Increase the number of income tax returns filed electronically. These methods reduce errors, expedite refunds, improve efficiency in processing, storage and retrieval, and lower processing costs.

Goal: Deliver good customer service.

Objective/Activity: Issue refunds for individual income tax returns filed on paper from mid-March through April 15, typically the busiest period of the tax season, in 30 days or less.

Program 2: State and Local Finance

Goal: Implement good tax policy.

Objective/Activity: Increase the median ratio of manufacturing real property assessed values (assessments) to their sale prices.

Program 3: Administrative Services and Space Rental

Goal: Maintain a positive work environment.

Objective/Activity: Increase the number of employees satisfied or greatly satisfied with job. (Source: University of Wisconsin Study on Organizational Excellence.)

Program 8: Lottery

Goal: Implement good tax policy and operate efficiently.

Objective/Activity: Increase Lottery credit proceeds in order to lower the tax burden. Improve results within available resources by systematically monitoring results.

PERFORMANCE MEASURES

HISTORICAL DATA

Prog. No.	Performance Measure	Actual 2000
1.	Average number of processing days for unadjusted refunds.	39
1.	Average audit cost per dollar collected through enforcement activity.	13¢
1.	Percentage of individual income tax returns E-filed or paper that is scanned.	39%
1.	Percentage of individual income tax returns received electronically.	21%
2.	Median ratio of manufacturing assessments to sale prices. ¹	95.7%
3.	Percentage of employees satisfied or greatly satisfied with their job.	70%
8.	Property tax relief as a percentage of Lottery operating revenues.	57%

Note: Based on fiscal year.

¹The fiscal year 1999-2000 Actual submitted with the 2001-03 Biennial Budget request was 98.3 percent due to an economic adjustment process for nonappraised properties. The 95.7 percent in this submission is the nonadjusted ratio of assessment to sale price.

2001 AND 2002 GOALS AND ACTUALS

Prog. No.	Performance Measure	Goal 2001	Actual 2001	Goal 2002	Actual 2002
1.	Average number of processing days for unadjusted refunds.	29	46	29	37
1.	Average audit cost per dollar collected through enforcement activity.		17¢		15¢
1.	Percentage of individual income tax returns E-filed or paper that is scanned.		46%		58%
1.	Percentage of individual income tax returns received electronically.		26%		33%
2.	Median ratio of manufacturing assessments to sale prices.	100%	96.8%	100%	N/A ¹
3.	Percentage of employees satisfied or greatly satisfied with their job.	70%	73%	73%	N/A ²
8.	Property tax relief as a percentage of Lottery operating revenues.	26%	25%	30%	28%

Note: Based on fiscal year.

¹Data will not be available until January 2003 as ratios are presently being fielded for sales through August 2002. The goal is always to be at 100 percent of assessment to sale price, but the courts have allowed for a variance of plus or minus five percent.

²Data for employee satisfaction is not available as the University of Wisconsin Study on Organizational Excellence was not conducted during fiscal year 2001-02.

2003, 2004 AND 2005 GOALS

Prog. No.	Performance Measure	Goal 2003	Goal 2004	Goal 2005
1.	Average number of processing days for unadjusted refunds.	21	21	21
1.	Average audit cost per dollar collected through enforcement activity.	15¢	15¢	15¢
1.	Percentage of individual income tax returns E-filed or paper that is scanned.	90%	93%	96%
1.	Percentage of individual income tax returns received electronically.	50%	65%	75%
2.	Median ratio of manufacturing assessments to sale prices. ¹	100%	100%	100%
3.	Percentage of employees satisfied or greatly satisfied with their job.	73%	73%	73%
8.	Property tax relief as a percentage of Lottery operating revenues.	30%	28%	28%

Note: Based on fiscal year.

¹The goal is always to be at 100 percent of assessment to sale price, but the courts have allowed for a variance of plus or minus five percent.

DEPARTMENT OF REVENUE

GOVERNOR'S BUDGET RECOMMENDATIONS

RECOMMENDATIONS

1. Budget Efficiency Measures
2. Attorney Consolidation Initiative
3. Income, Sales and Excise Administration
4. E-Filing Expansion
5. Local Finance Assistance Auditor
6. Bureau of Equalization Consolidation
7. Manufacturing Assessment Function to Local Governments
8. State and Local Finance Administration
9. Enterprise Services Division Financial Management Services
10. Human Resources Positions
11. Public Information Officer
12. Alcohol and Tobacco Positions
13. Integrated Tax System
14. Lottery Operations Privatization
15. Revenue Collection Positions
16. Sales Tax Enforcement – Vendors Doing Business with State of Wisconsin
17. Minor Transfers Between Appropriations
18. Sum Sufficient Reestimate
19. Standard Budget Adjustments

Table 1
Department Budget Summary by Funding Source (in thousands of dollars)

	ACTUAL FY02	ADJUSTED	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
		BASE FY03	FY04	FY05	FY04	FY05
GENERAL PURPOSE REVENUE	\$84,166.2	\$81,059.2	\$83,822.8	\$83,822.8	\$79,855.3	\$79,855.3
State Operations	84,166.2	81,059.2	83,822.8	83,822.8	79,855.3	79,855.3
FEDERAL REVENUE (1)	12.7					
State Operations	12.7					
PROGRAM REVENUE (2)	7,954.7	8,044.5	8,368.3	8,397.2	8,368.3	8,397.2
State Operations	7,954.7	8,044.5	8,368.3	8,397.2	8,368.3	8,397.2
SEGREGATED REVENUE (3)	65,674.6	64,914.8	66,458.6	66,591.6	66,458.6	66,591.6
State Operations	65,674.6	64,914.8	66,458.6	66,591.6	66,458.6	66,591.6
TOTALS-ANNUAL	157,808.2	154,018.5	158,649.7	158,811.6	154,682.2	154,844.1
State Operations	157,808.2	154,018.5	158,649.7	158,811.6	154,682.2	154,844.1

(1) Includes Program Revenue-Federal and Segregated Revenue-Federal

(2) Includes Program Revenue-Service and Program Revenue-Other

(3) Includes Segregated Revenue-Service, Segregated Revenue-Other and Segregated Revenue-Local

Table 2
Department Position Summary by Funding Source (in FTE positions) (4)

	ADJUSTED	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
	BASE FY03	FY04	FY05	FY04	FY05
GENERAL PURPOSE REVENUE	1,000.00	1,000.00	1,000.00	942.50	942.50
PROGRAM REVENUE (2)	76.90	76.90	76.90	76.90	76.90
SEGREGATED REVENUE (3)	135.75	135.75	135.75	135.75	41.25
TOTALS-ANNUAL	1,212.65	1,212.65	1,212.65	1,155.15	1,060.65

(2) Includes Program Revenue-Service and Program Revenue-Other

(3) Includes Segregated Revenue-Service, Segregated Revenue-Other and Segregated Revenue-Local

(4) All positions are State Operations unless otherwise specified

Table 3
Department Budget Summary by Program (in thousands of dollars)

	ACTUAL FY02	ADJUSTED	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
		BASE FY03	FY04	FY05	FY04	FY05
1. Collection of taxes	\$57,243.1	\$54,154.4	\$53,271.2	\$53,315.7	\$53,255.7	\$53,300.2
2. State and local finance	10,833.3	10,843.8	10,536.3	10,541.5	7,595.5	7,600.7
3. Administrative services and space rental	26,176.1	26,189.1	30,699.5	30,699.5	29,688.3	29,688.3
8. Lottery	63,555.7	62,831.2	64,142.7	64,254.9	64,142.7	64,254.9
TOTALS	157,808.2	154,018.5	158,649.7	158,811.6	154,682.2	154,844.1

Table 4
Department Position Summary by Program (in FTE positions) (4)

	ADJUSTED	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
	BASE FY03	FY04	FY05	FY04	FY05
1. Collection of taxes	761.80	754.65	754.65	752.65	752.65
2. State and local finance	152.80	149.80	149.80	109.80	109.80
3. Administrative services and space rental	188.55	198.70	198.70	183.20	183.20
8. Lottery	109.50	109.50	109.50	109.50	15.00
TOTALS	1,212.65	1,212.65	1,212.65	1,155.15	1,060.65

(4) All positions are State Operations unless otherwise specified

1. Budget Efficiency Measures

The Governor recommends reducing expenditure and position authority in the department's state operations appropriations in the amounts shown in Items 2 through 12, below, to create additional operational efficiencies and balance the budget.

2. Attorney Consolidation Initiative

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-550,800	-14.00	-550,800	-14.00
TOTAL	0	0.00	0	0.00	-550,800	-14.00	-550,800	-14.00

The Governor recommends improving the provision of state legal services by consolidating attorneys under the secretary of the Department of Administration. The Department of Administration secretary will determine the assignment of attorneys to individual agencies. The initiative will transfer 9.0 FTE positions to the Department of Administration. Funding related to the transferred positions will remain in the department's budget to purchase legal services from the Department of Administration. The initiative further results in the reduction of 3.0 FTE attorneys and 2.0 FTE support staff positions in the general counsel's office. See Department of Administration, Item #10.

3. Income, Sales and Excise Administration

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-165,200	-3.00	-165,200	-3.00
TOTAL	0	0.00	0	0.00	-165,200	-3.00	-165,200	-3.00

The Governor recommends reducing the administrative staff in the Division of Income, Sales and Excise by 3.0 FTE positions.

4. E-Filing Expansion

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-210,000	0.00	-210,000	0.00
TOTAL	0	0.00	0	0.00	-210,000	0.00	-210,000	0.00

The Governor recommends reducing processing and customer service costs through increased efficiency from expanded electronic filing.

5. Local Finance Assistance Auditor

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-70,000	-1.00	-70,000	-1.00
TOTAL	0	0.00	0	0.00	-70,000	-1.00	-70,000	-1.00

The Governor recommends eliminating 1.0 FTE auditor in the Bureau of Local Finance Assistance.

6. Bureau of Equalization Consolidation

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-532,800	-7.00	-532,800	-7.00
TOTAL	0	0.00	0	0.00	-532,800	-7.00	-532,800	-7.00

The Governor recommends consolidating the seven regional offices of the Bureau of Equalization down to six offices.

7. Manufacturing Assessment Function to Local Governments

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-2,277,000	-31.00	-2,277,000	-31.00
TOTAL	0	0.00	0	0.00	-2,277,000	-31.00	-2,277,000	-31.00

The Governor recommends removing the state from the role of assessing manufacturing property. As the property tax is essentially a local tax, local tax administration districts should assess the property. The state will continue to set standards for manufacturing assessments and will maintain an oversight role to assure quality assessments.

8. State and Local Finance Administration

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-61,000	-1.00	-61,000	-1.00
TOTAL	0	0.00	0	0.00	-61,000	-1.00	-61,000	-1.00

The Governor recommends eliminating 1.0 FTE budget analyst position in the Division of State and Local Finance.

9. Enterprise Services Division Financial Management Services

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-68,800	-2.00	-68,800	-2.00
TOTAL	0	0.00	0	0.00	-68,800	-2.00	-68,800	-2.00

The Governor recommends eliminating 2.0 FTE positions in the Enterprise Services Division, Bureau of Financial Management Services.

10. Human Resources Positions

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-203,200	-2.50	-203,200	-2.50
TOTAL	0	0.00	0	0.00	-203,200	-2.50	-203,200	-2.50

The Governor recommends eliminating 3.0 FTE human resources positions in the Bureau of Human Resources.

11. Public Information Officer

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-107,200	-1.00	-107,200	-1.00
TOTAL	0	0.00	0	0.00	-107,200	-1.00	-107,200	-1.00

The Governor recommends eliminating the public information officer position.

12. Alcohol and Tobacco Positions

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-256,500	-3.00	-256,500	-3.00
TOTAL	0	0.00	0	0.00	-256,500	-3.00	-256,500	-3.00

The Governor recommends eliminating 3.0 FTE positions in the Alcohol and Tobacco Unit of the Division of Income, Sales and Excise.

13. Integrated Tax System

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-150,000	0.00	-150,000	0.00
TOTAL	0	0.00	0	0.00	-150,000	0.00	-150,000	0.00

The Governor recommends reducing the integrated tax system appropriation to reflect lower cost estimates for developing the ITS system.

14. Lottery Operations Privatization

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
SEG-O	0	0.00	0	0.00	0	0.00	0	-94.50
TOTAL	0	0.00	0	0.00	0	0.00	0	-94.50

The Governor recommends privatizing lottery operations beginning in FY05. The department secretary will be given authority to contract in whole or in part for lottery services. The department will retain positions essential for contract negotiation, compliance and auditing. Privatization would proceed only if proposals are cheaper than state provision of lottery services.

15. Revenue Collection Positions

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	685,000	8.00	685,000	8.00
TOTAL	0	0.00	0	0.00	685,000	8.00	685,000	8.00

The Governor recommends adding 4.0 FTE auditors and 4.0 FTE revenue agents to help improve revenue collection efforts.

16. Sales Tax Enforcement – Vendors Doing Business with State of Wisconsin

The Governor recommends requiring out-of-state vendors doing business with the state to register with the Department of Revenue for a seller's permit. This provision uses the state's purchasing power to identify sales by out-of-state firms to Wisconsin private firms. Sales by out-of-state firms to Wisconsin companies may now go unreported. By registering with the Department of Revenue as a condition of doing business with the state, compliance by out-of-state firms with the Wisconsin sales tax should improve.

17. Minor Transfers Between Appropriations

The Governor recommends minor transfers between appropriations to: (a) centralize revenue accounting and mail services at a single Madison location; (b) transfer 7.0 FTE positions and associated funding to a central office of information technology services; (c) place rent, risk management, and the Department of Administration, State Controller's Office charges in a single appropriation; (d) consolidate 3.0 FTE tax processing positions in the Division of Processing and Customer Service; and (e) realign positions and funding to match reorganizations.

18. Sum Sufficient Reestimate

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
SEG-O	1,059,700	0.00	1,171,900	0.00	1,059,700	0.00	1,171,900	0.00
TOTAL	1,059,700	0.00	1,171,900	0.00	1,059,700	0.00	1,171,900	0.00

The Governor recommends adjusting lottery sum sufficient reestimates for vendor compensation and vendor fees to match lottery sales estimates.

19. Standard Budget Adjustments

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	2,763,600	0.00	2,763,600	0.00	2,763,600	0.00	2,763,600	0.00
PR-O	313,400	0.00	342,300	0.00	313,400	0.00	342,300	0.00
PR-S	10,400	0.00	10,400	0.00	10,400	0.00	10,400	0.00
SEG-O	484,100	0.00	504,900	0.00	484,100	0.00	504,900	0.00
TOTAL	3,571,500	0.00	3,621,200	0.00	3,571,500	0.00	3,621,200	0.00

The Governor recommends adjusting the department's base budget for: (a) turnover reduction (-\$1,361,700 in each year); (b) removal of noncontinuing elements from the base (-\$1,315,200 in each year); (c) full funding of continuing position salaries and fringe benefits (\$5,682,300 in each year); (d) reclassifications and semiautomatic pay progression (\$38,600 in FY04 and \$88,300 in FY05 in each year); (e) fifth week of vacation as cash (\$522,200 in each year); and (f) full funding of lease and directed moves costs (\$5,300 GPR each year).